

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 PM-05 H-01
L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
OMB-01 TRSE-00 /070 W
-----005358 291742Z /44
R 291601Z JUL 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC 6208

LIMITED OFFICIAL USE SECTION 1 OF 2 ROME 12411

E.O. 11652: N/A
TAGS: EAIR, IT
SUBJECT: CIVAIR: HANDLING FEES AT ROME AIRPORTS

REF: ROME 11422

SUMMARY. CIVILAVIA OFFICIAL TOLD ECMIN AND EMBOFF THAT CIVILAVIA WOULD PRESS HARD FOR CONSULTATIONS WITH FOREIGN AIRLINE REPRESENTATIVES BEFORE INCREASING USER FEES, USER FEES WOULD BE REATIONALIZED AND COST ACCOUNTING IMPROVED, ITALY'S FEES ARE NOT OUT OF LINE IN RELATION TO FEES IN OTHER EUROPEAN COUNTRIES AND A SOLUTION WOULD BE FOUND TO DISCRIMINATORY PRICING ON AIR CARGOS BY MID-OCTOBER. END SUMMARY.

1. ECMIN AND EMBOFF CALLED ON DGCA COLLINI ON JULY 27 TO FOLLOW UP LETTERS EMBOFF HAD SENT TO DGCA ON GROUND HANDLING FEE INCREASES AND HIGH AND DISCRIMINATORY WAREHOUSING AND PORTERAGE FEES. DGCA SAID AT OUTSET FOREIGN FOVERNMENT INTERVENTION IN PRICE AND COST STRUCTURE OF ITALIAN COMPANIES AND AGENCIES NOT ADMISSABLE, BUT HE VOLUNTARILY AFFIRMED THAT THE AIRPORT MANAGEMENT COMPANIES SUCH AS SOCIETA' AEROPORTI DI ROMA (SAR) SHOULD CONSULT WITH FOREIGN AIRLINES BEFORE RAISING THEIR FEES. HE WAS QUITE EMPHATIC ON THIS
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POINT, RETURNING TO IT SEVERAL TIMES. HE ANTICIPATED NO DIFFICULTY IN GETTING SAR AND ALITALIA TO ADMIT A REPRESENTATIVE OF CIVI (THE FOREIGN AIRLINES ASSOCIATION) TO THEIR CONSULTATIONS ON PROPOSED FEE INCREASES. DGCA SAID THAT IF HE HAD ANY DIFFICULTY IN GAINING AGREEMENT ON THIS HE WOULD NOT HESITATE TO SEEK THE SUPPORT OF UNDER-SECRETARY FOR TRANSPORT COSTANTE DEGAN.

2. IN LETTER TO DGCA, EMBOFF REFERRED TO NEW USUK BILATERAL WHICH ENCOURAGES CONSULTATIONS BETWEEN CHARGING AUTHORITIES AND PROVISION FOR GOVERNMENT CONSULTATIONS AS WELL ON USER CHARGES. DGCA SAID HE DID NOT UNDERSTAND HOW ITALY WOULD ACCEPT SUCH PROVISIONS AS IT WOULD INVOLVE ENDLESS CONSULTATIONS AND INTERVENTIONS BY ALL COUNTRIES WITH WHICH ITALY HAS CIVIL AIR RELATIONS.

3. DGCA CONCEDED THAT SAR NEEDED TO IMPROVE ITS ACCOUNTING AND RATIONALIZE ITS FEES AND CHARGES. HE SAID CIVILAVIA WILL INSIST THAT SAR DO SO. HE CITED AS AN EXAMPLE OF IRRATIONALITY THE NEW CHARGE FOR HANDLING EACH PACKAGE WHICH MUST CLEAR CUSTOMS. HE SAID THE AMOUNT OF THE CHARGE WAS JUSTIFIED AS THAT NEEDED TO COVER THE COST OF OPENING AND CLOSING EACH SUCH PACKAGE FOR CUSTOMS INSPECTION BUT AS ONLY ONE PACKAGE IN FIVE WAS ACTUALLY OPENED FOR INSPECTION THE CHARGE PER PACKAGE DID NOT REFLECT THE TRUE COST. DGCA SAID HE ALSO WISHES TO ARRANGE FOR ONLY ONE OR TWO REVIEWS OF USER COSTS AND FEES PER YEAR SO THAT COMPANIES ARE NOT CONSTANTLY TROUBLED BY FEE INCREASES IN VARIOUS CATEGORIES.

4. HE NOTED, HOWEVER, THAT ITALIAN AIRPORTS HAD THE LOWEST USER FEE LEVELS IN EUROPE IN 1973 AND RECENT INCREASES ONLY PLACED MAJOR ITALIAN AIRPORTS LIMITED OFFICIAL USE

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ABOUT LEVEL WITH OTHER MAJOR AIRPORTS IN EUROPE. EMBOFF (USING DATA OBTAINED FROM PAN AM) REPLIED THAT DATA AVAILABLE TO HIM INDICATED THAT ROME AIRPORTS NOW HIGHEST IN EUROPE, PERHAPS EXCEEDED ONLY BY PARIS WHEN EXTRA CHARGES FOR CLEANING AND GROOMING ETC. THAT ARE USUALLY INCLUDED IN FLAT FEES WERE TAKEN INTO ACCOUNT. CIVILAVIA OFFICIAL, DR. PALMA, CLAIMED ROME GROUND HANDLING CHARGES INCLUDE ALL ITEMS AS DETERMINED BY ITATA. (COMMENT. ON BASIS OF PAN AM DATA FOR B-747, EVEN WITHOUT INCLUDING "ADDITIONAL" CHARGES, ROME AIRPORT GROUND HANDLING FEES WOULD BE LOWER THAN PARIS, ZURICH AND FRANKFURT BUT HIGHER THAN COPENHAGEN, AMSTERDAM, BRUSSELS AND MADRID. DR. PALMA HAS PROMISED TO PROVIDE EMBASSY WITH HIS INFO FOR B-747 AND OTHER INTERCONTINENTAL AIRCRAFT).

5. DGCA AND PALMA NOTED THAT ABOUT 90 PERCENT OF GROUND HANDLING COSTS ARE PERSONNEL COSTS AND THAT LATTER CONTINUE TO RISE RAPIDLY IN ITALY DUE TO UNION PRESSURE AND COST-OF-LIVING WAGE INCREASES. PALMA HANDLED EMBOFF PAPER WRITTEN IN MARCH, 1977 WHICH, AMONG OTHER THINGS, NOTES THAT FOREIGN AIRLINES

IN EFFECT, HAVE HAD LOWER GROUND HANDLING FEES THAN
THE ITALIAN AIRLINES BECAUSE OF THE DEPRECIATION OF THE
LIRA.

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INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
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L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
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6. WHEN ECMIN RAISED PROBLEM OF DISCRIMINATION INVOLVED
IN DUAL PRICING FOR CARGO SERVICES RESULTING FROM NEW
SAR PORTERAGE AND WAREHOUSING FEES, DGCA SAID THIS PROBLEM,
AS WELL AS HIGH LEVEL OF THESE FEES, WAS TO BE DISCUSSED
ON JULY 28 IN THE COMMITTEE DESIGNATED BY "SANGALLI"
LAW (NO. 324 OF MAY 5, 1976) FOR REVIEWING ALL FEES AND
PROPOSED CHANGES. EMBOFF CALLED PALMA ON JULY 29
TO ASK ABOUT RESULTS OF COMMITTEE'S DELIBERATION. PALMA
SAID MEETING WAS INCONCLUSIVE BUT SOLUTION TO PROBLEM WAS
EXPECT "SOON" AND AT LATEST BY MID-OCTOBER. EMBOFF
NOTED THAT EARLY ACTION IMPORTANT IN VIEW OF VERY STRONG
INTEREST OF US AIRLINES IN PREVENTING EXCESSIVE USER FEES
INCREASES AND POSSIBILITY OF RESORT TO FAIR COMPETATIVE
PRACTICES ACT TO SEEK COMPENSATION. PALMA EXPRESSED
UNDERSTANDING OF US CONCERN ABOUT RISE IN USER FEES IN
EUROPE IN GENERAL, NOTING THAT ITALY WAS ALSO CONCERNED
ABOUT VERY STIFF AND INEQUITABLE FEES AT UK AIRPORTS AND
THAT ITALY WAS NOT IN THE VANGUARD OF THOSE PUSHING
USER FEES TO HIGH LEVELS. EMBOFF GRANTED THAT ITALY'S
FEES MIGHT NOT TURN OUT TO BE THE HIGHEST BUT OBSERVED
THEY HAD CERTAINLY RISEN RAPIDLY AND ASKED
FOR AS MUCH DATA AS CIVILAVIA COULD PROVIDE ON THE
MATTER. PALMA PROMISED TO TRY TO PROVIDE ADDITIONAL
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DATA.

7. EMBOFF ASKED PALMA ABOUT PROSPECTS FOR GAINING
CIVI REPRESENTATION ON THE RATE REVIEW COMMITTEE
ESTABLISHED BY THE SANGALLI LAW. PALMA SAID CIVILAVIA
WAS TRYING TO FIND A WAY TO PERMIT SUCH RPERESENTATION
OR SOME OTHER FORM OF CONSULTATION EVEN THOUGH ART. 9
OF THE SANGALLI LAW PROVIDES ONLY FOR
REPRESENTATIVES OF ITALIAN AIRLINES ON THE COMMITTEE.

8. ACTION REQUESTED: DGCA COLLINI ASKED FOR INFO FROM
CAB ON LEVEL OF USER FEES AT REPRESENTATIVE US AIRPORTS.
REQUEST GUIDANCE ON RESPONSE TO COLLINI.GARDNER

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FEES, AIRPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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